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THAI INSURGENTS LOOK FOR FAIR WEATHER

Communist guerrillas in several parts of the country appear ready to take bolder action during the approaching dry season. Bangkok has made some moves in anticipation of additional pressures, but foresees no major jump in the Communist threat.

In the north and north-central provinces, the Communists have improved their tribal guerrilla organization in the mountains, presumably in preparation for their seasonal campaign against government security forces. Villages and defectors have been reporting increases in the number and size of these tribal units, some of which appear better armed than in the past. The Communists have improved their support mechanism by shifting some of their Laos-based command and supply units into Thailand. As many as 1,600 guerrillas now may be operating near the Laotian border, an increase of 500 during the past year. They have been virtually unopposed by government security forces, which have been ordered to minimize suppressive operations.

The Communists may also be setting the stage for their first serious effort to move into adjacent lowlands. Sightings of ethnic Thai guerrillas and scattered incidents in these previously quiet areas indicate the Communists are beginning to extend their influence among this part of the population in the north. The effort could run into considerable difficulty, however,

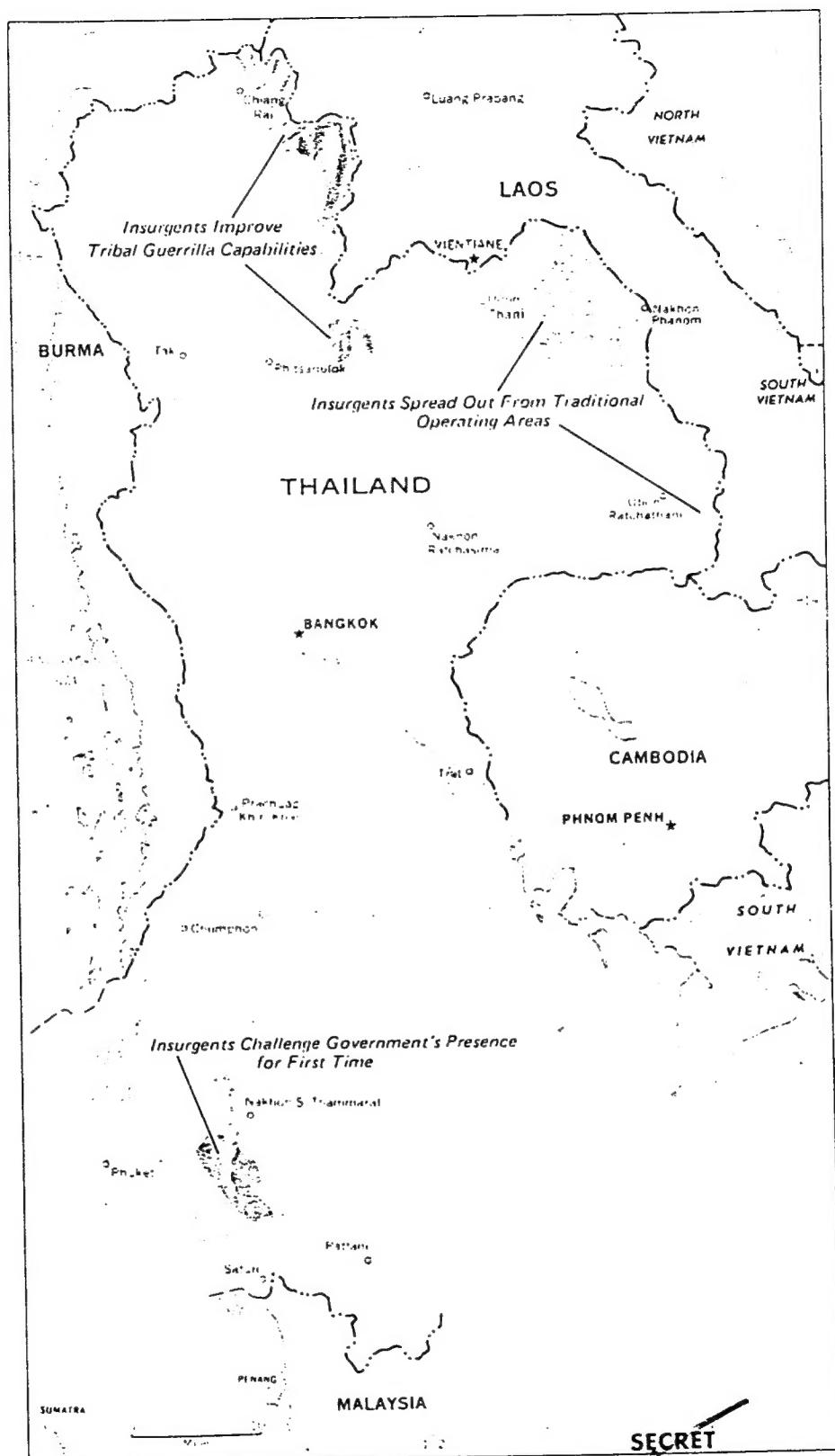
because of Communist support for tribal peoples who are looked down on by the ethnic Thais and because of more determined government efforts to ensure security in the lowland areas.

In the northeast, the insurgents have begun to spread out from their traditional operating areas, apparently as part of their year-long effort to broaden village support structures. These incursions, consisting mostly of food- and intelligence-gathering missions, may also be designed to keep security forces off balance, a tactic used in previous years with only limited success. There is no indication, however, that the Communists in this area soon intend to take on government military forces.

In the southern peninsular provinces, Thai insurgents appear to be challenging the government's presence for the first time. They have doubled their strength in the last year to about 400 and recently have made violent attacks on local defense forces and government development projects that have dramatized their presence beyond their actual strength. The government has made desultory efforts to strengthen its security forces and has ordered the national Communist Suppression Operations Directorate to take charge of security efforts in the south. Bangkok will have to do much more, however, to generate the comprehensive counterinsurgency programs necessary to blunt a sustained Communist initiative in the south. (~~SECRET~~)

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SINGAPORE ATTRACTS COMMUNIST COMMERCIAL INTEREST

Singapore's modern commercial facilities and its position at the crossroads of Asian trade is attracting increasing Communist interest. Particularly for Communist China, it is a significant source of foreign-exchange earnings and provides an important outlet for trade with the free world. Singapore is seeking to retain its role as a middleman and would like to develop new markets in Communist countries for its small and slow-growing exports of manufactures. Trade with these countries, however, continues to account for only about nine percent of Singapore's total trade.

Trade relations with Communist China, Singapore's most important Communist trading partner, have returned to normal following a dispute this summer with the local branch of the Bank of China. Chinese commercial activities have increased significantly since 1967 when Peking transferred a large share of its re-export trade to Singapore following the riots in Hong Kong. Last year Singapore, with earnings of some \$124 million, was Peking's largest source of foreign exchange, after Hong Kong. Trade in 1968 totaled \$176 million.

North Korea also has found Singapore a main source of its small foreign-exchange earnings. Trade that was minimal before the establishment of a North Korean trade mission in 1967 amounted to \$8 million in 1968. North Vietnam's recent efforts to encourage trade with Singapore, however, have not yet met with much success.

Next month Singapore will open a trade office in Moscow, its first in a Communist country. It will be under the auspices of INTRACO, the state trading company that was established last year to provide more control and an improved bargaining position in trade with Communist countries.

Moscow has had a trade office in Singapore since 1966, when the two countries signed their first trade agreement. Trade totaled about \$45 million last year, and has consisted very largely of Soviet purchases of Malaysian rubber sold through Singapore. Moscow is increasing its efforts to expand exports to Singapore, however, and reportedly plans to hold a trade fair in Singapore next year. Last year the Soviets formed a joint shipping agency with Singapore, and Moscow has recently initiated regular weekly civil air service to the city-state.

Singapore's trade with Eastern Europe reached about \$30 million last year. Czechoslovakia, Hungary, Poland, and Bulgaria have established local trade offices, and the latter two countries also have concluded trade agreements. A high-level Bulgarian trade delegation visited Singapore last month to open two Bulgarian-owned factories, bringing the total number of such businesses to seven. The Bulgarians also have investigated direct air service between Sofia and Singapore. (CONFIDENTIAL NO FOREIGN DISSEM)

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